

Message Text

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PAGE 01 STATE 006774
ORIGIN IO-13

INFO OCT-01 AF-08 ARA-06 EUR-12 EA-07 NEA-10 ISO-00 AID-05
EB-07 SIG-01 SSO-00 NSCE-00 USIE-00 INRE-00 OMB-01
TRSE-00 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03
NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 ABF-01 FRB-03
/114 R

DRAFTED BY IO/DHP:DCKURTZER/CJNEE:LYM
APPROVED BY IO:SWLEWIS
IO:RDMOREY
IO/DHP:CENORRIS EA:LMCNUTT
IO/ML:PWKRIEBEL
AID/PPC:PSALES NEA:JRCHEEK
EUR/SOV:JCOLBERT
EB:RJRYAN
AF:ESEGALL
ARA:CFINAN

-----122102Z 021569 /62

O 121727Z JAN 77
FM SECSTATE WASHDC
TO AMEMBASSY BUENOS AIRES IMMEDIATE
AMEMBASSY CANBERRA IMMEDIATE
AMEMBASSY VIENNA IMMEDIATE
AMEMBASSY BRUSSELS IMMEDIATE
AMEMBASSY COTONOU IMMEDIATE
AMEMBASSY BRASILIA IMMEDIATE
AMEMBASSY BUJUMBURA IMMEDIATE
AMEMBASSY OTTAWA IMMEDIATE
AMEMBASSY BOGOTA IMMEDIATE
AMEMBASSY COPENHAGEN IMMEDIATE
AMEMBASSY HELSINKI IMMEDIATE
AMEMBASSY PARIS IMMEDIATE
AMEMBASSY BONN IMMEDIATE
AMEMBASSY CONAKRY IMMEDIATE
AMEMBASSY GEORGETOWN IMMEDIATE
AMEMBASSY NEW DELHI IMMEDIATE
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AMEMBASSY JAKARTA IMMEDIATE
AMEMBASSY TEHRAN IMMEDIATE
AMEMBASSY ROME IMMEDIATE
AMEMBASSY TOKYO IMMEDIATE
AMEMBASSY KUWAIT IMMEDIATE
AMEMBASSY TANANARIVE IMMEDIATE
AMEMBASSY LILONGWE IMMEDIATE

AMEMBASSY BAMAKO IMMEDIATE
AMEMBASSY VALLETTA IMMEDIATE
AMEMBASSY MEXICO IMMEDIATE
AMEMBASSY THE HAGUE IMMEDIATE
AMEMBASSY NIAMEY IMMEDIATE
AMEMBASSY OSLO IMMEDIATE
AMEMBASSY ISLAMABAD IMMEDIATE
AMEMBASSY LIMA IMMEDIATE
AMEMBASSY FREETOWN IMMEDIATE
AMEMBASSY COLOMBO IMMEDIATE
AMEMBASSY MBABANE IMMEDIATE
AMEMBASSY STOCKHOLM IMMEDIATE
AMEMBASSY BERN IMMEDIATE
AMEMBASSY BANGKOK IMMEDIATE
AMEMBASSY TUNIS IMMEDIATE
AMEMBASSY LONDON IMMEDIATE
AMEMBASSY SANA IMMEDIATE
INFO USMISSION USUN NY IMMEDIATE
USMISSION GENEVA
AMEMBASSY MOSCOW IMMEDIATE
AMEMBASSY SOFIA
AMEMBASSY WARSAW
AMEMBASSY BUCHAREST
AMEMBASSY BANGUI
AMEMBASSY CARACAS
AMEMBASSY DAR ES SALAAM
AMEMBASSY DAKAR
AMEMBASSY BUDAPEST
AMEMBASSY NASSAU
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AMEMBASSY PORT OF SPAIN
AMEMBASSY NDJAMENA
AMEMBASSY KINSHASA
AMEMBASSY PRAGUE
AMEMBASSY LUSAKA
AMEMBASSY LA PAZ
AMEMBASSY KIGALI
AMEMBASSY MASERU
AMEMBASSY YAOUNDE
USLO PEKING
AMEMBASSY WELLINGTON

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E.O. 11652: N/A

TAGS: UNDP, EAID

SUBJECT: UNDP: U.S. INITIATIVES ON USE OF ACCUMULATED
NON-CONVERTIBLE CURRENCIES

REFS: (A) STATE 179843; (B) STATE 213908 (NOTAL);
(C) STATE 236335 (NOTAL)

SUMMARY: UN DEVELOPMENT PROGRAM REMAINS IN SERIOUS FINANCIAL STRAITS, AND CEILINGS REMAIN ON APPROPRIATION OF FUNDS FOR DEVELOPMENT PROJECTS. IN LARGE PART, THIS SITUATION HAS BEEN CREATED BY PRACTICE OF CERTAIN (PRINCIPALLY COMMUNIST) COUNTRIES IN CONTRIBUTING FUNDS IN NON-USABLE NON-CONVERTIBLE CURRENCIES. TO CORRECT THIS ABUSE, U.S. PLANS TO INTRODUCE FORMALLY AN INITIATIVE (DESCRIBED BELOW) ON THE USE OF NON-CONVERTIBLE CURRENCIES, DURING THE UNDP GOVERNING COUNCIL MEETINGS BEGINNING JANUARY 17, 1977. ACTION ADDRESSEES ARE REQUESTED TO APPROACH HOST GOVERNMENTS TO SEEK SUPPORT AND CO-SPONSORSHIP FOR LIMITED OFFICIAL USE

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PROPOSAL. THIS CABLE PROVIDES TALKING POINTS FOR USE BY EMBASSIES IN DEMARCHES; SEPTTEL INCLUDES DETAILED AIDEMEMOIRE AND DRAFT PROPOSAL WHICH SHOULD BE LEFT WITH HOST GOVERNMENTS FOR THEIR CONSIDERATION. END SUMMARY.

1. IN AN EFFORT TO RESOLVE ONE ASPECT OF UNDP'S FINANCIAL PROBLEMS, NAMELY THE ACCUMULATION OF NON-CONVERTIBLE CURRENCIES FOR WHICH THE PROGRAM HAS NOT FOUND USE, THE U.S. IS PREPARED TO INTRODUCE AN INITIATIVE DURING THE UPCOMING UNDP GOVERNING COUNCIL SESSION, WHICH STARTS JANUARY 17 IN NEW YORK.

2. ACTION ADDRESSEES, UNLESS SERIOUS DISADVANTAGES ARE PERCEIVED, SHOULD APPROACH HOST GOVERNMENTS TO SEEK SUPPORT AND, ESPECIALLY, CO-SPONSORSHIP OF U.S. PROPOSAL. SEPTTEL WILL PROVIDE DETAILED AIDEMEMOIRE AND DRAFT PROPOSAL WHICH SHOULD BE GIVEN TO GOVERNMENTS FOR THEIR CONSIDERATION. HOST GOVERNMENTS OF ADDRESSEES ARE ALL MEMBERS OF GOVERNING COUNCIL.

3. DURING DEMARCHES, ACTION ADDRESSEES MAY DRAW ON FOLLOWING TALKING POINTS:

- THE ACCUMULATION OF NON-CONVERTIBLE CURRENCIES, FOR WHICH UNDP HAS FOUND NO USE, IS AN IMPORTANT CONTRIBUTING ELEMENT IN THE PROGRAM'S LIQUIDITY CRISIS. THE CURRENT TOTAL OF SUCH CURRENCIES EQUALS DOLLARS 38.1 MILLION.

- THE SIGNIFICANCE OF THIS FIGURE IN UNDP'S FINANCIAL DIFFICULTIES IS DEMONSTRATED BY THE NEAR EQUIVA-

LENCE OF THIS TOTAL OF NON-USABLE CURRENCIES TO THE
LEVEL OF PROGRAM CUTBACKS (DOLLARS 40 MILLION) FORCED
ON THE UNDP PROGRAM FOR 1976;

- THE U.S. IS AWARE OF THE HARDSHIPS POSED TO
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RECIPIENT COUNTRIES BY THE EXPENDITURE CEILINGS UNDP
HAS HAD TO IMPOSE TO DEAL WITH THE FINANCIAL CRISIS,
RESULTING IN THE CURTAILMENT OF VALUABLE PROGRAMS IN
ALL AREAS OF DEVELOPMENT ASSISTANCE;

- IN AN EFFORT TO ASSIST IN OFFSETTING THESE
HARDSHIPS AND TO DEAL EFFECTIVELY WITH ONE OF THE ROOT
CAUSES OF UNDP'S FINANCIAL CRISIS, THE U.S. PLANS TO
FORMALLY INTRODUCE A PROPOSAL IN THE UPCOMING
GOVERNING COUNCIL MEETING;

- THE PROPOSAL IS A VARIATION OF THE ONE WHICH
THE U.S. RAISED INFORMALLY IN THE JUNE GOVERNING
COUNCIL MEETING. THAT PROPOSAL REQUESTED SUPPORT FOR
AN AGREEMENT UNDER WHICH CONTRIBUTING COUNTRIES WOULD
BE ABLE TO PURCHASE, ON A ONE TIME BASIS AND BASED
UPON THEIR NEEDS, SUBSTANTIAL

AMOUNTS OF THE ACCUMULATED NON-USABLE CURRENCIES FOR
USE IN THE COUNTRIES WHICH CONTRIBUTED THOSE CURRENCIES.
THIS WOULD UNLOCK APPROXIMATELY DOLLARS 40 MILLION
IMMOBILIZED UNDP ASSETS WHICH COULD BE DEVOTED TO
PROGRAMMING IN RECIPIENT COUNTRIES;

- WHEN WE APPROACHED THE SOVIET UNION WITH THIS
PROPOSAL, IT REJECTED THE IDEA. WE HOPE THAT, WITH
THE WEIGHT OF A FAVORABLE UNDP GOVERNING COUNCIL
DECISION, THE SOVIET UNION AND OTHERS WILL AGREE TO
EXPLORE WAYS OF ENDING THIS ASPECT OF THE LIQUIDITY
PROBLEM;

- THE CURRENT PROPOSAL PROVIDES THAT IF THE ABOVE
DESCRIBED ARRANGEMENT REMAINS UNACCEPTABLE TO THE
COUNTRIES OF ORIGIN OF THE ACCUMULATED CURRENCIES, THEN
ANOTHER AVENUE TO RESOLVING THE PROBLEM WOULD BE OPEN:
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NAMELY THAT THE RECIPIENT COUNTRIES THEMSELVES BE ABLE

TO SUBSTITUTE THEIR OWN OR OTHER USABLE CURRENCIES
FOR THE ACCUMULATED NON-USABLE CURRENCIES, WHICH THEY
WOULD BE ABLE TO USE IN THE DONOR COUNTRY FOR EMBASSY/
CONSULAR OPERATIONS' COSTS.
THE POSSIBILITY WOULD BE LEFT OPEN FOR DONOR
COUNTRIES TO PURCHASE (WITH AGREEMENT OF COUNTRY OF
ORIGIN OF THE ACCUMULATED CURRENCIES)
ANY BALANCES REMAINING AFTER ALL SUBSTITUTIONS HAVE BEEN
MADE BY RECIPIENT COUNTRIES;

- IF THIS WERE DONE IMMEDIATELY IT COULD YIELD AN
8-10 PERCENT INCREASE IN THE 1977 LEVEL OF EXPENDI-
TURES AND WOULD APPROACH THE PRE-CUTBACK PLANNED LEVEL
OF FUNDING FOR THAT YEAR;

- DETAILS OF THIS PROPOSAL ARE INCLUDED IN AN
AIDE-MEMOIRE WHICH IS TO BE LEFT WITH THE HOST GOVERN-
MENT FOR FURTHER CONSIDERATION;

- IT IS IMPORTANT TO EMPHASIZE THAT THE RECIPIENT
COUNTRIES STAND TO GAIN A GREAT DEAL THROUGH EITHER
ASPECT OF THIS PROPOSAL, AT THE EXPENSE OF NO ONE. THE
U.S. GAINS NOTHING, WHILE ALL CONTRIBUTIONS TO UNDP
WILL BE PUT TO USES WHICH ADVANCE DEVELOPMENT.

- WE WISH TO STRESS THAT SUPPORT FOR THE PROPOSAL
DOES NOT CARRY WITH IT A COMMITMENT TO PARTICIPATE IN
THE PURCHASE/SUBSTITUTION PROGRAMS. ACTUAL PARTICI-
PATION IN THE PROGRAM WILL DEPEND ON A COUNTRY'S OWN
DESIRES AND INTERESTS.

4. AT THEIR DISCRETION POSTS MAY WISH TO BRING THIS
PROPOSAL TO THE ATTENTION OF LOCAL UNDP RESIDENT
REPRESENTATIVE, MOST OF WHOM ARE DESPERATELY PRESSED
FOR PROGRAM FUNDS.
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5. ALL RESPONSES TO THIS MESSAGE SHOULD INFO USUN NEW
YORK, ATTN: USDEL 23RD UNDP GOVERNING COUNCIL.

KISSINGER

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DEMARCHE, CONVERTIBLE FOREIGN EXCHANGE, DEVELOPMENT PROGRAMS, FOREIGN EXCHANGE HOLDINGS, RESOLUTIONS
Control Number: n/a
Copy: SINGLE
Sent Date: 12-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE006774
Document Source: CORE
Document Unique ID: 00
Drafter: DCKURTZER/CJNEE:LYM
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770012-0389
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770158/aaaabyqq.tel
Line Count: 271
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 7f4f70da-c288-dd11-92da-001cc4696bcc
Office: ORIGIN IO
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 STATE 179843, 77 STATE 213908, 77 STATE 236335
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SAS ID: 3613349
Secure: OPEN
Status: NATIVE
Subject: UNDP: U.S. INITIATIVES ON USE OF ACCUMULATED NON-CONVERTIBLE CURRENCIES
TAGS: EAID, US, UNDP
To: BUENOS AIRES CANBERRA MULTIPLE
Type: TE
vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/7f4f70da-c288-dd11-92da-001cc4696bcc
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22 May 2009
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